HB 148 Education Vouchers
Model Parameters

The note presents the results of an a standard economic model for analyzing the impact of educational choice policy described by the National Center for the Study of Privatization in Education in 2001 at http://www.ncspe.org/readrel.php?set=pub&cat=33.

The model requires that values be set for four key parameters. In addition, the model assumes that every student who qualifies for a voucher will actually receive the maximum amount which he can generate in FY 2008. In other words, the model assumes (a) that the legislature is willing to fully fund the voucher program, and (b) in the absence of empirical information on the dynamics of the private school market, that the main effect of the introduction of a voucher is to immediately increase the quantity of private schooling demanded (which seems reasonable since nothing about private schooling necessarily changes under a voucher except its effective price), after which the program will primarily incorporate each new cohort of children who would have attended private school anyway.

Average private school tuition price = $6,638
NCES estimate of the national average private school tuition ($6,779) in 2000 [http://nces.ed.gov/programs/digest/d05/tables/dt05_059.asp] first adjusted upward through 2008 ($8,329) with the U.S. Retail Price Inflation calculator [http://www.halfhill.com/inflation.html], based on Bureau of Labor Statistics (CPI-U) and Congressional Budget Office data sources, and then adjusted downward by Census estimates of Utah personal income per capita in relation to U.S. personal income per capita (79.7%) in 2005 [http://www.census.gov/compendia/statab/ranks/rank29.htm].

Average voucher amount = $2,008
Assumes that the demographic composition of families who choose vouchers matches that of Utah taxpayers in general, based on income data provided by Tom Williams of the Utah State Tax Commission for TY 2003 and the amounts specified for each income level in lines 254 through 269.

Price elasticity of demand = .48
Measures the responsiveness of the quantity demanded by consumers of a good or service to a change in its price. This particular estimate means that private school enrollment will increase by 4.8% for every effective 10% reduction in private school tuition. It is the most commonly cited figure in voucher and tuition tax credit studies, according to the aforementioned NCSPE. See http://wikipedia.org/wiki/Price_elasticity_of_demand for more information.

Price elasticity of supply = infinite
Measures the responsiveness of the quantity supplied by producers of a good or service to a change in its price. This particular "figure" means that the private sector is assumed to be able to accommodate every student who wants to switch from the public sector.